

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

PLANTRONICS, INC.,
Plaintiff,
v.
CALLPOD, INC.,
Defendant.

Case No. 14-cv-04639-SI

**ORDER DENYING DEFENDANT'S
MOTION TO DISMISS AND
GRANTING DEFENDANT'S MOTION
TO STAY**

Re: Dkt. 19

Defendant's motion to dismiss or stay is scheduled for a hearing on January 23, 2015. Pursuant to Civil Local Rule 7-1(b), the Court finds this matter appropriate for resolution without oral argument and hereby VACATES the hearing. For the reasons set forth below, the Court DENIES the motion to dismiss, GRANTS the motion to stay, and STAYS the action pending further order of the Court.

BACKGROUND

Plaintiff Plantronics Inc. filed this declaratory judgment suit on October 17, 2014. The complaint seeks a declaration of noninfringement and invalidity of five patents owned by defendant Callpod Inc.¹ According to Callpod, the five patents are closely related and cover "mobile conferencing" technology. Guccione Decl. ¶ 13. On October 16, 2014, Plantronics filed petitions at the United States Patent & Trademark Office for *inter partes* review of each claim in the '250, '758, '445, and '624 patents.

¹ The patents-in-suit are United States Patent Nos. 6,801,611 ("the '611 patent"); 7,707,250 ("the '250 patent"); 7,742,758 ("the '758 patent"); 7,899,445 ("the '445 patent"); and 7,945,624 ("the '624 patent")

1 This lawsuit was filed after negotiations between the parties broke down. Those
2 negotiations began nearly a decade ago, on October 27, 2005, when Callpod first contacted
3 Plantronics “to explore potential synergies” relating to the incorporation of Callpod’s mobile
4 conferencing technology into Plantronics’ product line. Guccione Decl. ¶ 3, Ex. A. In 2006, the
5 parties entered into a non-disclosure agreement (NDA) and Callpod submitted a proposal;
6 however, Plantronics concluded it was not interested. Guccione Decl. ¶ 4, Ex. B; deVilliers Decl.
7 ¶ 3. Callpod again wrote to Plantronics in 2010, stating that Callpod was “divesting its hardware
8 business” in the mobile conferencing space and “taking final bids.” Guccione Decl. ¶ 5, Ex. C. In
9 response to the email, Plantronics declined to make an offer to purchase the patents. Guccione
10 Decl. ¶ 6, Ex. D. RPX, a third party representing Callpod, contacted Plantronics in late 2013,
11 indicating that Callpod sought to sell its patent portfolio. deVilliers Decl. ¶ 4. Shortly thereafter,
12 the parties entered into another NDA effective December 30, 2013, to “explore a potential
13 transaction” involving certain Callpod patents. Guccione Decl. ¶ 7, Ex. E. RPX provided
14 information to Plantronics that revealed that in 2011 Callpod brought an infringement suit
15 involving the ‘250 patent against GN Netcom, a Callpod competitor. deVilliers Decl. ¶ 6.
16 Plantronics also learned that Callpod had sued GN Netcom in 2006, alleging infringement of the
17 ‘611 patent. *Id.*

18 In January 2014, Plantronics made a verbal offer to purchase the Callpod patents for
19 \$25,000. deVilliers Decl. ¶ 7. Subject to the NDA, Callpod’s CEO visited Plantronics’
20 headquarters in April 2014, to see if the parties could reach an agreement. deVilliers Decl. ¶ 11.
21 During the meeting the parties discussed “technical features of certain Plantronics’ products as
22 they allegedly related to Callpod’s patents. . . .” deVilliers Decl. ¶ 13. Plantronics’ Chief IP
23 Counsel “was left without any doubt that Callpod had . . . prepared claims charts mapping
24 Callpod’s patents to Plantronics’ products, and was alleging that Plantronics’ products infringed
25 one or more of Callpod’s patents.” deVilliers Decl. ¶ 12. After the April meeting, Plantronics had
26 a “firm conviction that a lawsuit alleging infringement of one or more of the Callpod patents was
27 inevitable.” deVilliers Decl. ¶ 15. Regarding these contentions, Callpod’s CEO asserts that he did
28 “not recall any instance . . . in which Callpod ever identified a specific claim of any Callpod patent

1 that it contended was being infringed by any specific Plantronics product,” nor did he recall “ever
2 provid[ing] Plantronics with a claim chart detailing the application of any Callpod patent to any
3 Plantronics product. . . .” Guccione Decl. ¶ 12. Callpod emailed Plantronics on July 7, 2014,
4 stating that the \$25,000 offer “simply does nothing more than invite an expensive litigation” and
5 that for Plantronics to acquire Callpod’s patents is “far more important than simply avoiding a
6 litigation where the costs will be multiples higher than the [\$3.5 million] purchase price.”
7 Guccione Decl. ¶ 8, Ex. F. In the July 7, 2014 email, marked “For Settlement Purposes Only,”
8 Callpod stated that if Plantronics did not purchase the assets, Callpod would sell the patents to a
9 non-practicing entity (NPE), who would, “without question, file suit against Plantronics based on
10 the legal analysis performed by Callpod’s counsel. To be clear, Plantronics does infringe on
11 several of Callpod’s mobile conferencing patents. Further, Callpod has a history with Plantronics
12 that supports . . . willful infringement claim(s).” *Id.*

13 On August 6, 2014, Callpod informed Plantronics that it was rejecting Plantronics’
14 \$250,000 offer to purchase the IP assets. Guccione Decl. ¶ 9, Ex. G. This email, as well as
15 Callpod’s subsequent emails, was marked “For Settlement Purposes Under FRE 408.” *Id.* In the
16 August 6, 2014 email, Callpod asserted that Plantronics “clearly made a threat of litigation against
17 Callpod” and that to protect Callpod’s interests, Callpod had “prepared a detailed complaint
18 against Plantronics which [Callpod] will file should [Plantronics] threaten [Callpod] again or
19 should Plantronics file a DJ action against [Callpod].” *Id.* Callpod also rescinded the offer to sell,
20 instead offering to license Callpod’s patents for \$1.625 million. *Id.* Callpod wrote that
21 “Plantronics will spend multiples of [\$1.625 million] in litigation costs” and “will be facing a
22 material risk of loss related to economic damages for prior infringement notwithstanding its risk
23 pursuant to any willful infringement claim(s).” *Id.* Plantronics responded on August 9, 2014,
24 denying it had threatened litigation against Callpod and asserting that the asking price was
25 “absolutely stratospheric in relation to the nominal value of the patents and the fact that we are
26 therefore talking about the value of litigation avoidance.” Guccione Decl. ¶ 10, Ex. H. On the
27 same day, Callpod replied that “[Plantronics will] spend far more that [sic] in the first year of a
28 litigation” and Callpod “[had] a strong contingency-based law firm who has run the gauntlet on

1 due diligence for our legal positions.” deVilliers Decl. ¶ 18, Ex. 4. On August 16, 2014,
 2 Plantronics informed Callpod that “[Plantronics] would prefer to buy the patents” as opposed to a
 3 license and raised its offer to \$325k, “a massive increase given the absence of value.” Guccione
 4 Decl. ¶ 11, Ex. I. On September 12, 2014, Callpod notified Plantronics that it had rejected the
 5 offer and engaged ICAP, a third party patent brokerage, to auction Callpod’s IP assets in
 6 November 2014. Guccione Decl. ¶ 13, Ex. J. A few days later, Plantronics wrote to ICAP that it
 7 “may be interested in bidding on Callpod’s IP” and requested the reserve price. Schmidt Decl. ¶
 8 2, Ex. A. ICAP replied with “initial bidding guidance . . . set at low to mid 7 figures.” Schmidt
 9 Decl. ¶ 3, Ex. B.

10 On October 16, 2014, Plantronics filed petitions for *inter partes* review of four of the five
 11 patents-in-suit, and then filed this suit on the following day. Guccione Decl. ¶ 15. In response to
 12 the filings, Callpod contacted Plantronics on October 17, 2014, in an attempt “to structure a
 13 license that is mutually beneficial.” Guccione Decl. ¶ 16, Ex. L. On October 19, 2014,
 14 Plantronics responded that its previous \$250,000 offer “isn’t appropriate - it is now too high. . . .
 15 [T]he value of the patents is now impaired for all to see.” Guccione Decl. ¶ 17, Ex. M. As an
 16 alternative to litigation, Plantronics asked that Callpod “make a more compelling proposal, offer
 17 us a royalty free license, and request that we withdraw our filing in return.” *Id.* ICAP notified
 18 Callpod that the sale of Callpod’s IP assets was “all but impossible at the present time” and
 19 formally terminated the auction. Guccione Decl. ¶ 18, Ex. N.

20 DISCUSSION

21 I. Dismissal

22 Defendant Callpod moves to dismiss this declaratory judgment suit for lack of subject
 23 matter jurisdiction pursuant to Federal Rule of Civil Procedure 12(b)(1). Callpod argues that no
 24 real, immediate controversy exists between the parties regarding these five patents sufficient to
 25 sustain declaratory judgment jurisdiction. If this Court denies the motion to dismiss, Callpod
 26 alternatively requests this matter be stayed in its entirety pending resolution of the four petitions
 27 for *inter partes* review. Plantronics opposes dismissal but does not oppose a stay.
 28

1 The Declaratory Judgment Act provides that “[i]n a case of actual controversy within its
2 jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations
3 of any interested party seeking such declaration, whether or not further relief is or could be
4 sought.” 28 U.S.C. § 2201(a). The dispute, however, must be “real and substantial” and “definite
5 and concrete, touching the legal relations of parties having adverse legal interests[.]” *MedImmune,*
6 *Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007). A district court must ask “whether the facts
7 alleged, under all the circumstances, show that there is a substantial controversy, between parties
8 having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a
9 declaratory judgment.” *Id.* (citations omitted). To determine whether jurisdiction exists, the party
10 invoking jurisdiction must point to “some affirmative act by the patentee” that forms the basis for
11 an actual controversy between the parties. *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329,
12 1338-39 (Fed. Cir. 2008). The “affirmative act” necessary to sustain declaratory judgment
13 jurisdiction can arise in “a variety of ways, for example, by creating a reasonable apprehension of
14 an infringement suit . . . demanding the right to royalty payments, . . . or creating a barrier to the
15 regulatory approval of a product that is necessary for marketing.” *Id.* at 1339; *but see Trend*
16 *Micro Corp. v. Whitecell Software, Inc.*, No. C-10-02248-WHA, 2011 WL 499951, at *3 (N.D.
17 Cal. Feb. 8, 2011) (finding lack of declaratory judgment jurisdiction where defendant patent
18 holder “has not made any claim that [plaintiff] infringes” its patent, has not “threatened or
19 otherwise communicated” with plaintiff regarding infringement of that patent, and has “not even
20 performed an infringement analysis to determine whether any” of plaintiff’s products may infringe
21 the patent).

22 Defendant argues that there is no definite and immediate controversy between the parties
23 with respect to any of the patents-in-suit because prior to filing the complaint, Plantronics was
24 aware of Callpod’s plans to auction the patents-in-suit in November 2014. Callpod also contends
25 that the lack of a dispute is demonstrated by the history of the parties’ negotiations because
26 Callpod never identified any specific Plantronics product as infringing any particular Callpod
27 patent.

28 The Court finds that, on the record before it, Plantronics has demonstrated a real and

1 definite dispute between the parties sufficient to confer declaratory judgment jurisdiction over
2 Plantronics's non-infringement claims as to the patents-in-suit. After unsuccessful negotiations
3 over a course of years, in late 2013, Callpod again contacted Plantronics offering to sell its patent
4 portfolio. deVilliers Decl. ¶ 4. Plantronics had learned that Callpod filed suit in 2006 and 2011
5 against a Plantronics competitor for infringing the '611 and '250 patents-in-suit, respectively.
6 deVilliers Decl. ¶ 6. After Plantronics offered \$25,000 to purchase Callpod's patents, the parties
7 met in April 2014 where they discussed "technical features of certain Plantronics' products as they
8 allegedly related to Callpod's patents," and Plantronics "was left without any doubt" that Callpod
9 had prepared claim charts, was alleging infringement, and that a lawsuit was "inevitable."
10 deVilliers Decl. ¶¶ 11, 12, 15. Further, Callpod notified Plantronics that it had "prepared a
11 detailed complaint" and that Plantronics would spend several million dollars in litigation costs, in
12 addition to risking "any willful infringement claims." Guccione Decl. ¶ 9, Ex. G. Callpod also
13 responded to Plantronics' \$25,000 offer by stating that it "simply does nothing more than invite an
14 expensive litigation" and "[t]o be clear, Plantronics does infringe on several of Callpod's mobile
15 conferencing patents." Guccione Decl. ¶ 8, Ex. F. Much of this correspondence from Callpod
16 was labeled "For Settlement Purposes Under FRE 408." This conduct all indicates that a real,
17 immediate case or controversy exists. *See, e.g., Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d
18 1358, 1363 (Fed. Cir. 2009) ("Of course, if a party has actually been charged with infringement of
19 the patent, there is *necessarily*, a case or controversy adequate to support declaratory judgment
20 jurisdiction.").

21 Callpod asserts that there is no real and immediate case or controversy because Plantronics
22 was aware of Callpod's forthcoming auction of the patents-in-suit. However, Callpod also
23 notified Plantronics that it was "taking final bids" on its mobile conferencing patents in 2010, yet
24 sued a Plantronics competitor in 2011 for infringing one of the Callpod patents-in-suit. *See*
25 Guccione Decl. ¶ 5, Ex. C; deVilliers Decl. ¶ 6. Thus, Callpod's past actions suggest that even
26 with a pending auction, future infringement litigation could reasonably be expected to occur. *See*
27 *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 727 (2013) ("[A] defendant claiming that its voluntary
28 compliance moots a case bears the formidable burden of showing that it is absolutely clear the

1 allegedly wrongful behavior could not reasonably be expected to recur.”). Though Callpod states
2 that it did not provide a claim chart or identify a specific claim of any patent that it contended was
3 being infringed by any specific Plantronics product, these acts are not required to establish a real
4 and definite dispute between the parties to confer declaratory judgment. The “affirmative act” by
5 the patentee forming the basis for an actual controversy can arise in a variety of ways; nonetheless,
6 Callpod’s emails, sent three months before this Complaint was filed, made explicit infringement
7 allegations that establish declaratory judgment jurisdiction.

8 Callpod requests that even if this Court finds that an actual case or controversy exists, it
9 should exercise its discretion to dismiss the case. *See EMC Corp. v. Norand Corp.*, 89 F.3d 807,
10 810 (Fed. Cir. 1996) (even if “there is an actual controversy, the district court is not required to
11 exercise declaratory judgment jurisdiction, but has discretion to decline that jurisdiction.”),
12 *overruled in part on other grounds, MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).
13 Callpod argues that the parties were involved in active negotiations at the time this suit was filed
14 and that Plantronics’ complaint for declaratory judgment was filed for an improper purpose to
15 force Callpod into a disparate bargaining position and/or to adversely impact Callpod’s scheduled
16 auction of the patents-in-suit. Callpod argues that this case is similar to *EMC v. Norand*
17 *Corporation*, in which the Federal Circuit affirmed the discretionary dismissal of a declaratory
18 judgment lawsuit. In that case, Norand, the patentee, and EMC, a manufacturer of disk drive
19 systems, were involved in negotiations over the sale or licensing of Norand’s patents up to the
20 time that the complaint was filed. *EMC*, 89 F.3d at 814. At a third meeting, Norand informed
21 EMC that it would enter negotiations with six EMC competitors, and the parties confirmed plans
22 for a fourth meeting. *Id.* at 809. Three days later, EMC filed a declaratory judgment action,
23 which Norand moved to dismiss. *Id.* EMC claimed that Norand made explicit infringement
24 charges at the meetings, while Norand denied that it made any such claims or threatened suit. *Id.*
25 The district court exercised its discretion and dismissed the case, finding that at the time the
26 lawsuit was filed, the parties were still in active license or sale negotiations, and that Norand was
27 considering entering negotiations with others as well. *Id.* at 810. The Federal Circuit affirmed,
28 finding that the district court did not abuse its discretion by dismissing the case.

1 The circumstances surrounding and immediately following the filing
2 of the complaint lend further support to the district court's decision
3 not to exercise its jurisdiction in this case. The complaint was filed
4 shortly after Norand informed EMC of its plans to enter negotiations
5 with EMC's competitors. The day after the complaint was filed,
6 EMC's senior intellectual property counsel called Norand's outside
7 patent counsel and explained that the declaratory judgment
8 complaint had been filed as "merely a defensive step" and that EMC
9 "would like to continue to discuss with you all the options hopefully
10 in a more meaningful manner over the near term." By way of
11 explaining why the complaint was filed, EMC's counsel added that
12 EMC's management decided to file suit because "they just thought it
13 was in their interest to protect themselves first and continue
14 discussions." Under these circumstances, the district court could
15 properly view the declaratory judgment complaint as a tactical
16 measure filed in order to improve EMC's posture in the ongoing
17 negotiations-not a purpose that the Declaratory Judgment Act was
18 designed to serve.

19 *Id.* at 815.

20 The Court finds that *EMC* is distinguishable. Unlike the negotiations in *EMC*, the
21 negotiations between Callpod and Plantronics were not active at the time this complaint was filed.
22 The record shows that Plantronics repeatedly rejected Callpod's offers and stated its view that
23 Callpod's patents were not worth much, and throughout the parties' negotiations, the parties'
24 positions were very far apart. Further, there is no evidence that Callpod was actively negotiating
25 with any other parties at the time this lawsuit was filed.¹

26 The Court agrees with Plantronics that this case is more similar to *Sony Electronics, Inc. v.*
27 *Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007). In *Sony*, Sony filed a
28 complaint for declaratory judgment after Guardian, the defendant and patent owner, alleged that
Sony infringed Guardian's patents. *Sony*, 497 F.3d at 1285. In meetings between the parties,
Sony maintained that the Guardian patents were invalid, and after filing the complaint, Sony also
filed a request for reexamination of the patents. *Id.* The district court dismissed Sony's
complaint, finding that no actual controversy existed and stating that even if it did have
jurisdiction, the court would exercise its discretion to decline jurisdiction because the
jurisdictional question was close and the facts created an appearance that Sony filed the lawsuit to
gain leverage in the negotiations. *Id.* at 1281. The Federal Circuit reversed, finding that there was

¹ The parties dispute whether the auction reserve price was reasonable.

an actual controversy between the parties, and remanded to the district court to reconsider the discretionary dismissal. *Id.* at 1289-90. The court noted that it was "troubled by several aspects of the second reason underlying the district court's decision to decline jurisdiction: its belief that 'the facts as a whole create an appearance that Plaintiffs filed these lawsuits as an intimidation tactic to gain leverage in the licensing negotiations.'"

Unlike in *EMC*, there is no affirmative evidence to suggest that appellants filed this suit in order to obtain a more favorable bargaining position in any ongoing license negotiations. In addition, while this litigation may have had the effect of weakening Guardian's bargaining position relative to third parties, we do not think it appropriate to infer that appellants, therefore, filed this suit as an intimidation tactic to gain leverage in any future negotiations with Guardian. Similarly, we do not think it appropriate under the circumstances of this case to draw any inference from appellants' decisions to file these lawsuits simultaneously. Even if these suits have had the effect of placing appellants in a more favorable negotiating position, that effect is not a sufficient reason to decline to hear the suit.

Id. at 1289.

Here, like *Sony*, there is an actual controversy between the Plantronics and Callpod because Callpod made several direct and indirect threats of litigation. In light of the parties' history of negotiations, the Court cannot conclude that Plantronics' statement that "the value of the patents is now impaired for all to see" is necessarily affirmative evidence of a motive to obtain a more favorable bargaining position. Further, the fact that a lawsuit has the effect of placing the plaintiff in a more favorable negotiating position "is not a sufficient reason to decline to hear the suit." *Id.*

II. Stay

Alternatively, defendant moves to stay this case pending resolution of Plantronics' *inter partes* review petitions. Prior to filing this suit, Plantronics filed petitions for *inter partes* review with respect to each claim in the '250, '758, '445, and '624 patents. As a result, this case must be stayed at least with respect to those four patents. 35 U.S.C. § 315(a)(2) ("If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for *inter partes* review of the patent, that civil action

1 shall be automatically stayed.”). The parties agree, and this Court concurs, that it is in the interest
2 of judicial economy to stay this case in its entirety, including with respect to the ‘611 patent-in-
3 suit, because the five patents are closely related and similarly directed to mobile conferencing
4 technology.

5 6 CONCLUSION

7 For the foregoing reasons and for good cause shown, the Court hereby DENIES
8 defendant’s motion to dismiss and STAYS this action pending *inter partes* review of the ‘250,
9 ‘758, ‘445, and ‘624 patents. Docket No. 19.

10 **The parties are ORDERED to file a joint Status Report on the progress of the IPR**
11 **every 90 days, and are further ORDERED to inform the Court promptly when the PTO**
12 **takes action on the IPR.**

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14 IT IS SO ORDERED.

15 Dated: January 21, 2015

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18 SUSAN ILLSTON
19 United States District Judge
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